

Message Text

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TO USDEL SECRETARY IMMEDIATE

S E C R E T STATE 290116 TOSEC 310132

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CHEROKEE, FOR THE SECRETARY FROM ROBINSON

E.O. 11652: GDS

TAGS: ENRG, IR

SUBJECT: IRANIAN BILATERAL CONSULTATION REGARDING OPEC
OIL PRICING

1. SUMMARY. ZAHEDI REPORTED TODAY THAT THE SHAH
ACCEPTED AS A GOODWILL GESTURE OUR FRESH APPROACH TO A
LONG-TERM AGREEMENT TO BUY IRANIAN OIL FOR OUR STRATEGIC
RESERVE AS QUID PRO QUO FOR A REVERSAL OF IRANIAN POLICY
ON OPEC OIL PRICE DECISION NEXT MONTH. THE SHAH WOULD BE
PLEASED TO RECEIVE THE PRESIDENT'S (OR YOUR) REPRESENTATIVE
TO DISCUSS THIS MATTER IN A MORE DEFINITIVE WAY.
END SUMMARY.

2. ZAHEDI REPORTED BY TELEPHONE TODAY THAT THE SHAH
ALWAYS APPRECIATED AN OPPORTUNITY TO DISCUSS MATTERS WITH
US WHICH COULD FURTHER ENHANCE THE COOPERATION BETWEEN OUR
TWO COUNTRIES. HE APPRECIATED THE SUGGESTION THAT WE
MIGHT PURCHASE OIL FOR OUR STRATEGIC RESERVE ON A BASIS

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FAVORABLE TO IRAN IN EXCHANGE FOR SOME CONCESSION ON THEIR

SIDE WITH REGARD TO THE OPEC OIL PRICE INCREASE.

3. ZAHEDI SAID THE SHAH THOUGHT THAT ANY ARRANGEMENT FOR USG OIL PURCHASES SHOULD:

-- BE BASED ON OPEC PRICING AT THE TIME OF DELIVERY WITH PAYMENT 30 TO 60 DAYS AFTER SHIPMENT;

-- PROVIDE FOR 50 PERCENT LIGHT AND 50 PERCENT HEAVY CRUDE;

-- INCLUDE THE POSSIBILITY OF AN EXCHANGE OF IRANIAN OIL FOR U.S. EXPORTS.

(HE ALSO MENTIONED THE PRINCIPLE OF INDEXATION, BUT IT WAS NOT CLEAR AS TO WHETHER THIS WOULD SUBSTITUTE FOR THE OPEC PRICING FORMULA.)

4. THE SHAH WOULD BE PLEASED TO MEET WITH ANY REPRESENTATIVE OF THE PRESIDENT (OR OF SECRETARY KISSINGER) TO DISCUSS THIS MATTER IN GREATER DETAIL, ZAHEDI SAID. I TOLD HIM THE SHAH'S RESPONSE WOULD BE REPORTED TO YOU AND WE WOULD BE IN TOUCH WITH HIM REGARDING FURTHER ACTION WHICH MIGHT BE APPROPRIATE. I ALSO POINTED OUT THAT ZAHEDI WOULD UNDOUBTEDLY BE SEEING YOU IN MEXICO CITY IN CONNECTION WITH LOPEZ PORTILLO'S INAUGURATION AND THERE MIGHT BE AN OPPORTUNITY FOR YOU TO DISCUSS THIS WITH HIM AT THAT TIME.

5. COMMENT. IT IS MY IMPRESSION THAT ALTHOUGH THERE IS LITTLE OR NO LIKELIHOOD OF THE SHAH'S REVERSING HIS POSITION ON AN OIL PRICE INCREASE EFFECTIVE JANUARY 1, 1977, HE DOES SENSE A GROWING CONCERN WITHIN OPEC REGARDING THE SERIOUS ADVERSE IMPACT WHICH A LARGE PRICE INCREASE COULD HAVE ON THE WORLD ECONOMY AT THIS CRITICAL STAGE. FOR THIS REASON AND BECAUSE HE MAY ALSO CONSIDER IT IMPORTANT TO AVOID ANTAGONIZING PRESIDENT-ELECT CARTER, HE COULD BE SEEKING A RATIONALE FOR REDUCING HIS PRICE INCREASE GOAL. IF THIS IS THE CASE, WE MIGHT BE ABLE TO ENHANCE THE POSSIBILITY OF A SMALLER
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PRICE INCREASE IN EXCHANGE FOR A USG COMMITMENT TO PURCHASE OIL FOR OUR STRATEGIC RESERVE. HOWEVER, THIS WOULD CALL FOR WHAT WILL UNDOUBTEDLY BE A CONSIDERABLE SACRIFICE ON OUR PART IN EXCHANGE FOR THE HIGHLY INTANGIBLE BENEFIT IN MODERATING THE OUTCOME OF THE OPEC OIL PRICE INCREASE -- A CONCESSION WHICH WILL BE DIFFICULT IF NOT IMPOSSIBLE TO QUANTIFY. END COMMENT.

6. IT IS MY ASSUMPTION THAT WE SHOULD NOT PROCEED
FURTHER WITH IRAN PENDING A REPLY FROM THE NIGERIANS
(SEE SEPTEL RE SAUDIS) BECAUSE OUR STRATEGIC OIL
RESERVE PURCHASES REPRESENT A LIMITED CURRENCY WITH WHICH
TO INFLUENCE MORE THAN ONE OPEC MEMBER. I WILL TAKE NO
FURTHER ACTION ON THIS MATTER WITH IRAN PENDING YOUR
INSTRUCTIONS. ROBINSON

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